WEEKLY NEWSLETTER

20 March 2014

agricole grain brokering & marketing

AGRICOLE MARKETING CLUB — OUR 19TH YEAR

Weekly Grain Market Report

Independent grain marketing and brokerage advice for the progressive farmer

Ex-Farm prices (£/t)

Regional variation +/- £2

	Fd Wheat	Softs	Class 1	Class 2	Fd Barley	OSR	Mill Oats	Beans
March '14	160+	Prem fd - £zero	Prem fd £27	Prem fd £18-23	140	329	116	250
A/M/J '14	162	TBA	TBA	TBA	142	331		
Harvest /'14	150				140	286		215
O/N/D '14	154+				145	293		
A/M/J '15	160+				150	298		
O/N/D '15	152							

Thursday's	Mar '14 £167.35	May '14 £168.95	Jly '14 £170.50	Nov '14 £160.50	Jan '15 £161.75	
Futures close	Mar '15 £163.95	May '15 £166.50	Jly '15 £166.65	Nov '15 £157.50		May '16 £160.50

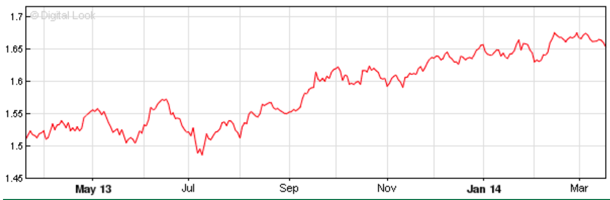
May 2014 Futures & RI Graph (2 yr)

Nov 2014 Futures & RI Graph (1 yr)

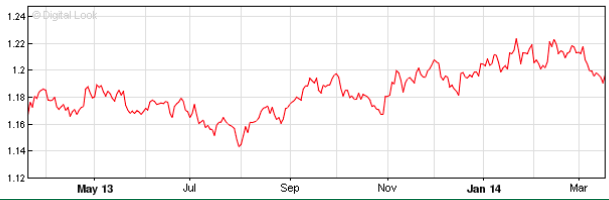
Nov 2015 Futures & RI Graph (6 mth)

£ : $ u/c, 1.651 (60.61)

Last 12 Months

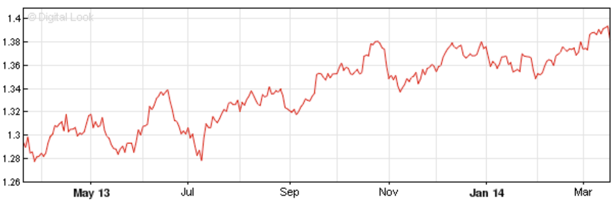


£: Euro down, 1.197 (83.50)

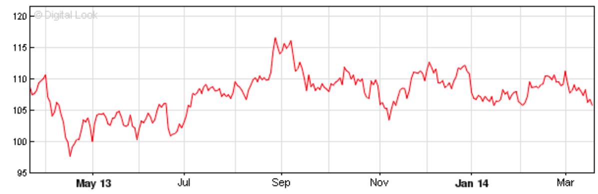


Euro: $ down, 1.377 (72.58)

Last 12 Months

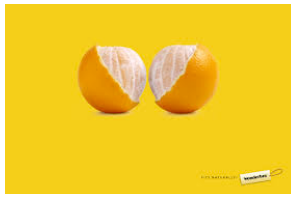


Brent Crude oil down, $106/barrel



 - GUEST CURRENCY: CROATIAN KUNA: £ 11 (9P)

It's a Wonder-bra market



Currency overview: Sterling rebounded in the wake of better than expected unemployment figures from the UK, and an upward revision in 2014 forecast economic growth from the Office of Budget Responsibility to 2.7%. Although the unemployment rate remained unchanged at 7.2%, the number of people claiming unemployment benefits fell well above the forecast level. Sterling rose ref Euro.

US dollar rose against sterling as Janet Yellen Chaired her first Fed meeting predicted that interest rates next year would be increased by a larger amount than previously forecast.

Wheat

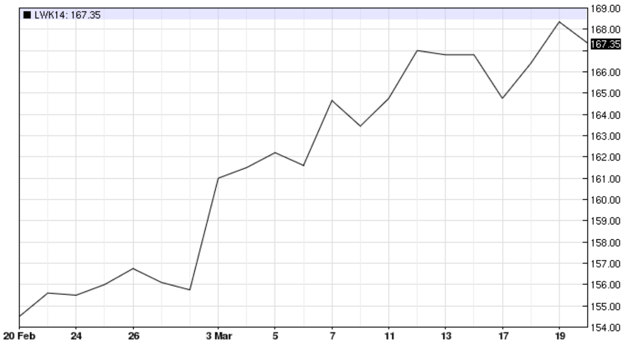
Harvest 2013:

Feed: LIFFE and MATIF up £6 while CBOT up £15 over the past two weeks, £12 and £25 in three.

Domestically, prices remained firm over the past two weeks while I was away. Supply the main issue still and merchants running on 'short' as they have been all year, with a sub-12mt crop. This is borne out by the premium for the delivered price over futures price in the NW (Cheshire) is £13, compared to the normal £5-6. New crop is £5.

UK was a net importer again, as it has been nearly every month for the past 2 years. The growing demand for the corn as a livestock feed and as an alternative to wheat by the ethanol plants too. Major feed companies using nearly twice as much corn in December as a year before, due to the price differential to wheat.

The UK imported 312kt of corn in January, up 80% year on year, and a figure second on record going back to 22 years, customs data showed. The HGCA believe 1.76m t of corn will be consumed this season, up 13% year on year, and 68% higher than the long-term average of 960kt.



LIFFE wheat May 14 futures - Past month

Internationally, there is no sign yet of Ukraine shipments being disrupted but there have been widespread reports of buyers preferring to place fresh orders elsewhere to bypass the troubles . Ukraine has failed, again, to offer wheat to an Egyptian wheat tender. Their no-bid comes amid mounting concerns that politics is hurting fresh export business, even though it is proving able to fulfill existing orders (Ukraine shipped nearly 700,000t of corn last week, a larger than normal amount).

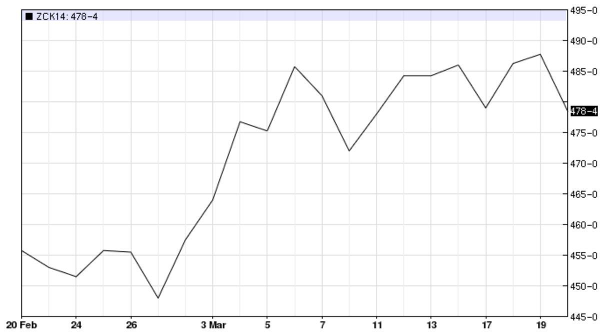
Analysts suggest EU soft wheat exports will be a record with increased trade from such as Germany, Poland and Romania as a result. Always a silver lining??

Also apparently, the French and German wheat 'basis', the difference between cash and futures prices, continues to trade a little weaker three and five-year average basis levels for the time of year. This indicates there is plenty of wheat in the system/ coming forward from farms, so the market is not tight.

Wheat markets are again approaching overbought conditions, which means the fire is going to need to be stoked as it is approaching the psychologically important $7.00/b mark, which the May '14 contract has not exceeded since late October.

Next significant US grains report is 31st March, when the USDA unveils a quarterly grain stocks report.

So like a Wonder-bra, the market is underpinned, holding up not a lot but making everything look perky. Once removed... well you know, everything is a little flat.



CBOT Corn May 14 futures - Past month

Soft Group 3 wheat: Still some demand for Alchemy, Torch and Target with premiums of £4-5 but practically no premium for Claire.

Hard Group 4 wheat: Premiums are zero. Just sell as feed.

Milling: Group 1 premiums: Up £2-3, £24-27 over feed in the spot positions in the Midlands, so with the higher feed price, a double bonus this week.

Group 2 premiums: Up £2-3, £23 premium for Cordial. Other varieties remain at a lowly £18. All spot trade. Forward is still to buy.

Group 1 & 2 11.3 min protein market, premiums Up £4 to £10 again but buyers difficult to find, small tonnage shorts.

Recommendation: Fundamentals basically remain bearish, too much global wheat (and corn) about. However, 'Ukraine effect' will keep a risk/fear premium for a while.

Sell at least 50% of remaining crop at these higher prices as I feel the bra could fall off soon.

Harvest 2014:

LIFFE & MATIF up £7, CBOT up £13.

Domestically, UK November '14 up £154/5 ex or harvest £150 in the East and £2-3 premium in the West.

Due to continued issues of Ukraine/weather/price rise, or all of these making the market hit £150 harvest again, there has definitely been some farmer selling over the past two weeks.

Weather has been a little better of late and warm, so crop beginning to grow away and take up the recent N applications. I don't feel another 12mt crop likely.

Internationally, European shipments look like remaining strong in '14/15 too, with Strategie Grains upgrading its forecast by 700kt to 22.4mt near record-taking levels. This increase followed a 1.2mt increase last month reflecting expectations that buyers in the Middle East and N. Africa, who normally buy from Ukraine, would given the crisis, prefer the certainty of exports from nearby Europe instead.

Strat Grain also raised its estimate for the EU soft wheat harvest, by 200kt to 137.7mt, reflecting increased estimates for sowings in France and former E. Bloc states.

Crops in central Europe and the Baltic states, Oz and US all need rain. More info next week when the EU's agricultural meteorology unit releases its monthly crop report.

USDA scouts revealed a further decline in the condition of winter wheat last week. It faces more very cold, dry and poor weather over the next 10 days. In Oklahoma the amount of winter wheat rated as good or excellent dropped four points to 18%. In Texas it was 13%.

Recommendation: As per two weeks ago, holding off selling in the very s/t until picture gets geo-political and weather pictures become clearer. If nothing sold, maybe sell up to 50% at these better prices, as the recent £15/t rise is a £150/ha free margin boost on a 10t/ha yield. If sold some, sell another 25%. I still feel market must come off as the world has enough wheat and drillings are generally wall-to-wall.

Hedging H'14: Again, Options available at approx £8-9, (6%) the cheapest they've been all season. Going 'out the money' a little will bring the premium down.

Min price up to £148/t Nov 14 and is now well above most farmers' SOLL's.

Harvest 2015:

Nov '15 futures, up £1-2, November'14 is £150+ ex farm?
So again, £150+ spot, £150+ Nov '14 and £150 Nov '15+. Good times, or as they said in LA, "Awesome".

Recommendation: As per last week; sell flat into this market up to 25-35% of your crop.

Barley

Harvest 2013:

Feed: Prices up another £5 at £140 ex farm. Where is the barley? In merchant stores? More home fed as cattle remain inside? Gone? Barley shipped and now hardly available. Where has the surplus gone or wasn't it there in the first place?

Malting: Winters: U/C, should be £148 but no buyers, so only valued as feed this week.

Springs: U/c at £150 March. Where is it all of a sudden?

Dance with the girl that has the looks but marry the one with the land - Proverb agricole grain brokering & marketing

AGRICOLE MARKETING CLUB OUR 18TH YEAR

Recommendation: Sell into this market... but you can't as it's all gone!

Harvest 2014:

Feed: Up £10 over past two weeks. £140 Harvest. Market reacting to wheat prices and less than expected carry over stocks.

Malting: **Winters:** Up £10, £150 Hvst. Min:max prices: £140-160. (+£10 Oct/Dec). A few cargoes being sold forward.

Springs: Up another£5, £155 Hvst + £10 carry to November. Min:max prices: £140-170 (+£10 Oct/Dec). Norfolk 90% drilled, Linc/Yorks 60% but S of M4 under 60%, I'm told.

It's stimated that the supply of malting barley will be 2.3mt (net of 40% that fails and goes for feed) with a 1.9mt demand, and with little or no carry over from '13/14 crop, things could be tight from the start.

Recommendation: Hold off selling for a mo, esp sp barley. Watch the wether but dynamics have changed.

OSR

Harvest 2013

OSR in UK up £6, MATIF off £5 and CBOT up £4. Prices highest for prices remain firm, this week helped further by weaker Sterling again and world factors.

Domestically UK £329 ex April + a £1 carry. D/d Erith £337 April.

Internationally, Societe Generale said it forecast soya prices remaining above $13 a bushel in a year's time. That is well above the $12/b level that March '15 futures are at present. Their updated S and D figs are less optimistic than the USDA's. They believe US stocks-to-use ratio will remain below 6% for the fourth year running as stocks will be lower. US inventories apparently at the lowest level since '03/04.

Brazilian soyabean harvest has deteriorated due to dryness December to February. But still estimated at 88.0mt. Brazil's crop bureau, Conab, last week cut its forecast to 85.44m tonnes, with another saying 84.94mt.

Last week showed over 60 ships were waiting to load with soyabeans or soyameal at the port of Paranagua, with a wait time of about 53 days!

The oilseed market continues to be supported by the lack of cancellations by China of orders of US supplies, as had been expected with the South American harvest now in progress.

CBOT May Soya futures - Last 2 years

Recommendation: S/T, take advantage of the rise and be happy if you've gambled, it's paid off.

Harvest 2014

Hvst: Down £2, £294 d/d, £286 ex. O/N/D £301 d/d Erith, £293 ex. No sellers. Weather and international markets saying hold off from selling as £300/t OSR appears again.

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